



Claire McCaskill

Missouri State Auditor

July 2005

MAPLEWOOD-RICHMOND
HEIGHTS SCHOOL DISTRICT

Year Ended June 30, 2004



Office Of
Missouri State Auditor
Claire McCaskill

July 2005

The following problems were discovered as a result of an audit conducted by our office of the Maplewood-Richmond Heights School District.

The Maplewood-Richmond Heights school district does not have a formal written policy on the appropriate use of the district credit cards. Charges totaling \$211,572 were made on the district's five credit cards from July 2003 to December 2004. While purchases charged to the district credit card were primarily for travel, they also included miscellaneous items for the school including furniture, artwork, and landscaping purchase. In addition, the district paid approximately \$1,259 from July 2003 to December 2004 in sales tax on purchases made on the district credit cards.

Although the district requires the purpose of the meeting and individuals present be noted on meal receipts, we noted instances where this information was not provided. Local meals, some for more than one person, were paid by the district with no explanation of the business purpose or the reason why a meal was necessary and the individuals covered by the amount paid.

The district paid \$9,220 for the creation of a butterfly mobile for the middle school. Of this cost, \$1,500 was paid to the art teacher supervising the project as a stipend and the remaining \$7,720 was paid to a local artist who worked with the students in creating the mobile. The district did not have a signed written contract for this work, and although there was a written proposal from the artist detailing the work to be done, the estimated cost was only \$5,520. The bill for the project only indicated the final total cost and there was nothing to support the increase in the amount from the original proposal.

The district's tuition reimbursement policy allows for reimbursement of 50 percent of actual tuition costs up to \$1,000 per year. An administrative employee was paid \$17,849 for tuition for eight correspondence classes from July 2003 to December 2004 at Syracuse University in New York. Although the Board approved providing tuition support for the employee, they did not approve a total amount to be paid or document why it was necessary to attend that university.

The district has implemented a student activity program called Women Who Look Ahead. A budget was not prepared for this program and the district spent more than the donations received.

(over)

YELLOW SHEET

Some travel related professional development expenses appear questionable. The district's professional development policy does not specify who is permitted to attend professional development trips, the number of trips allowed per year, or which trips are required or recommended for various staff positions. During the year ended June 30, 2004, over 40 employees of the district attended seven different out of state conferences, with at least three employees attending more than one out of state trip during the year. For example, during November 2003, the district incurred expenses exceeding \$14,000 for ten employees to attend a three day professional development conference in Las Vegas, Nevada. Also during November 2003, six district employees, including one employee who also attended the conference in Las Vegas, attended a professional development conference in Dallas, Texas at a total cost of \$4,782.

The district uses a travel advance process in which the employee receives prior approval for a trip and is given an advance of up to 80 percent of anticipated meal and incidental expenses prior to their departure. We noted several cash advances exceeded the expenses actually incurred by the employees and reimbursements to the district were not made in a timely manner. It appears the estimates used to determine the advance amount were excessive.

Although state law does not require a more comprehensive bid policy for school districts, Maplewood-Richmond Heights current bidding procedures could be made more effective by adopting a policy with a lower dollar amount. For example, the district paid \$24,663 for landscaping plants and related purchases for the new elementary schools which were not bid. Additionally, the district purchased furniture exceeding \$11,000 for the high school study hall and \$8,300 for the teachers' lounge and other school areas. These items were not bid and some of the items purchased appeared excessive in price. Although the district indicated they compared the prices they paid for the plants to the price listing on the original bid and compared the furniture to other vendors, there was no documentation of this being performed.

The district did not adequately monitor the progress of the middle school construction project and change orders were made without district approval. Change orders totaling \$395,000 were made, however, the district agreed to pay for only \$248,764 and disputed the remaining amount because the contractor made the changes without proper authorization.

The district did not maintain adequate records of disposed property when it closed two schools. The district had no record indicating what property was at these schools and what was disposed of at the surplus sale.

The audit report also includes some other matters related to budgetary procedures and financial reporting, general fixed assets records and procedures, and cellular telephones upon which the school district should consider and take appropriate corrective action.

All reports are available on our website: www.auditor.state.mo.us

MAPLEWOOD-RICHMOND HEIGHTS SCHOOL DISTRICT

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Education
Maplewood-Richmond Heights School District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Maplewood-Richmond Heights School District. The district engaged Schowalter and Jabouri, Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended June 30, 2004. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the district included, but was not necessarily limited to, the year ended June 30, 2004. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review internal controls over significant management and financial functions.
3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the district, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.
2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.
3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide

reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in the audit of the district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Maplewood-Richmond Heights School District.



Claire McCaskill
State Auditor

January 20, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice M. Fast, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MAPLEWOOD-RICHMOND HEIGHTS SCHOOL DISTRICT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Expenditures

Controls and procedures over district disbursements need improvement. The district does not have a written credit card policy and receipts for local meals do not always indicate the reason for the meeting and the individuals attending. Problems were noted with expenditures for a butterfly mobile. In addition, the reasons for exceptions to the tuition reimbursement policy are not adequately documented and a student program was not budgeted and spent more than it received in donations.

- A. Charges totaling \$211,572 were made on the district's five credit cards from July 2003 to December 2004. The district does not have a formal written policy on the appropriate use of the district credit cards. While purchases charged to the district credit card were primarily for travel (meals, motel, car rental, and gasoline); they also included miscellaneous items for the school including furniture, artwork, and landscaping purchases. During our review of credit card statements, we noted some items charged were not bid and did not always contain adequate supporting documentation. Concerns regarding these purchases are noted in MAR 3.

A policy which defines levels of purchase authorization, sets limits on what may be purchased and dollar amounts, and approval requirements for various purchases decreases the possibility of unauthorized purchases occurring. A formal policy could include procedures for use of district credit cards including, but not limited to, allowable purchases, maximum dollar limit of purchases, permitted users, required supporting documentation, and approval procedures.

In addition, the district paid approximately \$1,259 from July 2003 to December 2004 in sales tax on purchases made on the district credit cards. Political subdivisions are exempt from paying sales tax.

- B. The district frequently provides food at various meetings involving district personnel. The district does not track the amounts spent on these items annually because the costs of providing food are charged to various budgets and are not separately identified. The district was unable to provide the total amount of food purchased by the district for this time period; however, based on the vendor payment list provided by the district and the credit card statements, we determined the total amount of district funds spent on food and catering expenses was over \$68,000 from July 2003 to December 2004.

Although the district requires the purpose of the meeting and the individuals present be noted on the receipt, we noted instances where this information was not

provided. Local meals, some for more than one person, were paid by the district with no explanation of the business purpose or the reason why a meal was necessary and the individuals covered by the amounts paid. Examples noted included amounts for \$122, \$144, \$126, and several smaller amounts at local restaurants which did not include any supporting documentation detailing the meeting, the individuals included, or why it was necessary to provide a meal. Many additional meal charges only indicated the name of the group having the meal.

Without detailed supporting documentation including the purpose and list of individuals attending, the district cannot determine if the expenditures were reasonable and necessary uses of public funds.

- C. The district paid \$9,220 for the creation of a butterfly mobile for the middle school. Of this cost, \$1,500 was paid to the art teacher supervising the project as a stipend and the remaining \$7,720 was paid to a local artist who worked with the students in creating the mobile. The district did not have a signed written contract for this work. Although the district had a written proposal from the artist detailing the work to be done, her estimated cost was only \$5,520 including materials of \$1,110 and labor of \$4,410. The district paid the artist \$1,360 for supplies three months prior to completion of the project. In addition, the final bill for the project only indicated the final total cost. There was nothing to support the increase in the amount from the original proposal. The superintendent indicated information concerning the detail on the hours worked was provided at the time of payment; however, this information was not documented at the district. A written contract signed by both parties is necessary to specify the duties and responsibilities of both parties including any up front payments, the hourly rate, and the total cost. A detailed billing is necessary to adequately document the amount paid. Section 432.070, RSMo, requires contracts for political subdivisions be in writing.
- D. Although the district allows exceptions to its tuition reimbursement policy, the reasons for the exceptions are not formally documented and approved by the Board. The district's tuition reimbursement policy allows for reimbursement of 50 percent of actual tuition costs up to \$1,000 per year. In fiscal year 2004, the district spent over \$51,000 for tuition reimbursement.

An administrative employee was paid \$17,849 for tuition for eight correspondence classes from July 2003 to December 2004 at Syracuse University in New York. Although the Board approved providing tuition support for the employee, the Board did not approve a total amount to be paid or why it was necessary to attend that university. In addition, the district reimbursed \$2,699 in travel expenses including rental car, gasoline, and hotel expenses during the summers of 2004 and 2003 for this individual to attend classes. The superintendent indicated the higher tuition was justified because the employee's salary was lower than comparable positions in other St. Louis area districts.

Additional payments to teachers and administrators totaling \$6,183 were also paid over the \$1,000 policy limit. For example, \$3,990 was paid for tuition for one teacher during the year ended June 30, 2004. The superintendent indicated this payment was authorized above the policy amount so the teacher could become certified to fill an open position at the middle school; however, there was no written documentation indicating the reason the tuition was approved above the policy limit.

The district should maintain written documentation and approval to any exceptions to the policy.

- E. The district has implemented a student activity program called Women Who Look Ahead (WWLA). A budget was not prepared for this program and the district spent more than the donations received. The district received donations totaling \$3,500 during the year ended June 30, 2004; however, program expenditures exceeded revenues by \$4,580 for the same time period causing the district to subsidize the program with General Revenue funds. Expenditures related to this program include trips to the theatre and restaurants and various program materials. Such subsidies are not provided to other student activity programs.

To control costs and ensure the district does not provide a subsidy for the WWLA program, the district should prepare a budget for the WWLA program and limit the amount of expenditures to the revenues received.

WE RECOMMEND the School Board:

- A. Establish a policy to limit the use of credit cards. In addition, the district should discontinue paying sales tax on purchases.
- B. Track district expenditures for food purchases and ensure all meal receipts include the purpose of the meeting or the reason why a meal was necessary and the individuals present.
- C. Enter into written contracts, signed by the parties involved, specifying the services to be rendered and the manner and amount of compensation to be paid. In addition, detailed billings showing dates and hours worked should be obtained.
- D. Document the reasons for any exceptions to the tuition reimbursement policy and the approval of the exceptions.
- E. Ensure a budget is prepared for the WWLA program and evaluate any subsidy provided compared to other student activity programs.

AUDITEE'S RESPONSE

- A. *The auditor's office identified no instances of inappropriate or improper use of credit cards.*

The district follows recommendations from the Missouri School Board Association and the Missouri Association of School Business Officials regarding district credit cards/procurement cards. The use of credit cards/procurement cards saves the district approximately \$60-\$120 per purchase order. (as per RPMG Research Corporation's 2003 Purchasing Card Benchmark Survey). It is estimated that the district saved approximate \$40,000 during the time period audited by reducing the labor and material of the processing of numerous purchase orders, cutting of checks, use of postage, and reconciliation of checks through the bank. Additionally, the district receives a rebate on all purchases through procurement cards. Only five MRH central office administrators have access to district cards, and all purchases are consistent with the budgetary authority invested in the individual. All credit card receipts are collected and attached to the monthly bills and reconciled with the statement prior to submission to the business office.

MSBA has an addendum to the MSBA Policy Purchasing, Policy DJF which MRH may adopt this summer. The district has implemented procedures to insure that no sales tax is attached to purchases.

- B. *The district does track food expenditures, but it does so by budget categories. The \$68,000 identified by the auditors actually draws from several budget categories over an 18-month period. Furthermore, the \$68,000 includes \$9,000 from the food service program (cafeteria), and over \$7,300 expended for student events, supplies for home economics, and parent meetings. Approximately \$4,400 was reimbursed to the district from the Missouri School Board Association when a regional meeting was held on district premises.*

In reality, the district budgets between \$22,000 and \$25,000 per year for events such as the opening day for staff, employee recognition night, and for snacks and meals served to teachers when they are doing committee work in the afternoon, evening or on Saturday. The district has a written procedure that clearly outlines when food is to be served and the amount per person that can be expended. Teachers are not paid for these activities. Instead, the district provides light snacks (or meals if committees work into the evening) to facilitate district work.

MRH did list on the receipts the committees that were meeting for this time period but will in the future implement a sign in sheet at each meeting that serves a meal indicating the committee meeting and the people that are working on the committee.

- C. *The district does have a practice of entering into written contracts for various services in compliance with state law. It is the district's position that the example used by the auditor meets the written contract requirement. The district received a \$4,600 grant*

from the Missouri Arts Council for the creation of a butterfly mobile as a project involving gifted middle school arts students. Additionally a \$1,000 donation was received from an individual and \$800 from the Kiwanis Club to fund the project. The total cost to the district for this project was \$2,820. The district received a signed proposal from the artist as well as a signed grant proposal to the Missouri Arts Council. The district also received from the artist a detailed listing of hours completed for this project.

- D. *The district does document the reasons for exceptions to the tuition reimbursement policy. The district has a tuition reimbursement procedure for certified staff members, including administrators. Tuition funds are placed in an account (PER Staff Tuition Reimburse) and monitored to ensure that administration knows at all times exactly how much has been spent on tuition. The procedure allows the superintendent to budget increased reimbursement for special circumstances, including administrative compensation and teacher certification. The district does follow its tuition reimbursement procedure.*

In the specific example of the administrative employee's tuition mentioned in the MAR, the tuition support was presented to and approved by the Board of Education at the time the employee's salary was discussed. The support was contingent upon her agreeing to stay with the district for a period of three years; otherwise, she is required to reimburse the district for this support. When approving this tuition support, the Board specifically considered the fact that the tuition support and increased salary combined still placed her compensation below the median in St. Louis County.

- E. *As part of the MRH High School's focus on personalized service, Women Who Look Ahead, an adult mentoring group for teen girls who might profit from an adult mentor, was begun four years ago. Each girl in WWLA is assigned a staff member in the district who meets with her weekly and monitors her attendance and academic performance as well as helps her problem-solve any issues that might stand in the way of a successful high school experience. Mentors provide a weekly breakfast for the girls and monthly meetings as well as two or three outings to cultural events. Girls who are successful in meeting the academic standards set by the group are taken out to eat at a celebration dinner that is held once a year. Last year the number of girls involved jumped from 28 to 46 so the donations did not cover all of the supplies but next year a district account has been established for the women's mentoring program as well as a men's mentoring program that will be implemented.*

AUDITOR'S COMMENT

- A. While use of a credit card may save money over the normal purchasing process, it does not eliminate the need for adequate policies, pre-approvals, controls and reviews over the purchases.

- C. The total cost included in the written proposal did not agree to the final bill. In addition, the detailed listing of hours referred to by the district was obtained by the district by fax in April 2005.
- D. The board minutes do not clearly document approval by the board of the total amount paid for the administrative employee's tuition and related travel or why Syracuse University was necessary.

2.

District Travel

According to the district's amended Annual Secretary of the Board Report (ASBR) dated May 3, 2005, the district spent approximately \$83,200 for travel related expenses during fiscal year 2004. Of this amount, expenses totaling over \$79,400 related to professional development. Travel expenditures include lodging, meals, gasoline, and rental cars charged to the district's credit card; reimbursements to employees for mileage, meals, lodging and other travel expenses; and direct payments to motels, rental car companies, and airlines. The following concerns relating to travel expenditures were noted:

- A. Some travel related professional development expenses appear questionable. The state requires the district spend one percent of school foundation formula expenditures or \$3,379 on professional development. In addition, the average amount reported on the ASBRs as total travel expenditures in districts of similar size and location was approximately \$75,000 during this same time period. The district's professional development policy does not specify who is permitted to attend professional development trips, the number of trips allowed per year, or which trips are required or recommended for various staff positions. During the year ended June 30, 2004, over forty employees of the district attended seven different out of state conferences including trips to Las Vegas, Nevada; Dallas, Texas; Sacramento and San Francisco, California; Portland, Oregon; Chicago, Illinois; and Denver, Colorado. In addition, at least three employees attended more than one out of state trip during the year.

During November 2003, the district incurred expenses exceeding \$14,000 for ten employees to attend a three day professional development conference in Las Vegas, Nevada. Also during November 2003, six district employees, including one employee who also attended the conference in Las Vegas, attended a professional development conference in Dallas, Texas at a total cost of \$4,782.

To ensure public funds are spent wisely, travel expenses paid by the district should be necessary and reasonable for conducting district business and limits should be established relating to these trips.

- B. In addition to paying expenses through a reimbursement policy, the district also uses a travel advance process in which the employee receives prior approval for a trip and is given an advance of up to 80 percent of anticipated meal and incidental

expenses prior to their departure. Upon returning, the employee is to submit all receipts documenting their actual expenses incurred. Any unused advance is to be returned to the district, or if expenses are incurred in excess of the advance, the employee is reimbursed.

During our review, we noted several cash advances exceeded the expenses actually incurred by the employees and reimbursements to the district were not made in a timely manner. It appears the estimates used to determine the advance amount were excessive.

The use of travel advances creates administrative problems due to the time requirements to follow-up with individuals who have not turned in their documentation. The use of a travel reimbursement policy, in which major travel expenses (such as hotel, airfare and conference registration fees) are paid directly by the district and meal expenses are capped at a set amount and are reimbursed upon submission of an expense claim, would provide for better controls.

WE RECOMMEND the School Board:

- A. Establish a professional development policy that specifies who is permitted to attend professional development trips and the number of trips allowed per year.
- B. Consider eliminating the use of cash advances.

AUDITEE'S RESPONSE

- A. *The district's professional development plan focuses resources on the needs of students and the goals of the district. The MSIP Review Team cited MRH's plan as exemplary. The Board takes great pride in allocating resources to professional development and is supported by the community in this endeavor.*

The MAR indicates that the average amount spent in districts of similar size and location is just slightly less than what MRH spends on professional development. MRH is committed to professional development and believes that participation should be based on individual, department, student, and district needs. Teachers often need to participate in content area conferences and workshops, as well as instructional design and pedagogical workshops. For example, a math teacher might need to attend a conference or workshop focused on mathematics and attend a seminar on the Understanding by Design curriculum design process.

Where conferences are held is entirely up to the sponsoring organization. The locations mentioned in the MAR hosted the National Social Studies Conference (Chicago), the Apple Distinguished Educator Workshop (San Francisco), Power School Training (Sacramento/Folsom, CA), Systems Thinking Conference (Portland, OR), Reading is a Multi-Subject Curriculum (Dallas, TX), and Teaching for Understanding (Las Vegas, NV).

The district does not believe that it is the best interest of the students of MRH to develop a policy that restricts staff from participating in learning activities based on the number of trips they have attended or the location of the conference.

- B. *MRH's travel procedures include payment directly to vendors for major expenses, such as hotel, airfare, and conference registration fees. The district believes that it is important for teachers to be supported with cash advances when they are traveling for the other expenses that are involved. The district has meal reimbursement limits and does require that teachers submit receipts and an expense claim form. However, the district will tighten procedures regarding documentation and reimbursement and review the procedures with all staff members.*

3. Bidding Procedures

The district has a policy requiring competitive bidding for construction related purchases only of \$12,500 or more and does not require competitive bidding for items less than this amount. In addition, bids were not always solicited. The district also did not obtain competitive requests for proposals for all professional services and written contracts were not always prepared specifying the arrangements between applicable parties.

- A. The district's current bidding procedures could be made more effective by adopting a more comprehensive policy with a lower dollar limit. The current policy states that a formal bidding process be used for projected expenditures of \$12,500 or greater for construction projects, as required by Section 177.086, RSMo. However, the policy does not require bidding for non-construction items and does not indicate the types of bidding that can be done to ensure the district receives the best economical value on its purchases for amounts less than \$12,500. Although state law does not require a more comprehensive bid policy for school districts, state law does require bidding for the state and various other local governments at levels as low as \$3,000.

The district paid \$24,663 for landscaping plants and related purchases for the new elementary school which were not bid. Bids were originally obtained from vendors for landscaping services including plants and installation for the new elementary school; however, the district decided not to use the bids received and, instead the plants were purchased from other vendors and installed by the district.

The district purchased furniture exceeding \$11,000 for the high school study hall and \$8,300 for the teachers' lounge and other school areas. These items were not bid and some of the items purchased appeared excessive in price including two chairs at \$825 each.

Although the district indicated they compared the prices they paid for the plants to the prices listed on the original bid and the furniture to other vendors, there was

no documentation of this being performed. Without formal bidding, there is no evidence the district received the lowest price and best service.

Competitive bidding helps ensure the school district receives fair value by contracting with the lowest and best bidders. Bidding helps ensure all parties are given an equal opportunity to participate in the district's business.

A more comprehensive policy would require bidding and would identify specific bidding procedures that are required for purchases under \$12,500. Bids could be handled by telephone quotation, sealed bids or advertised sealed bids. Different approaches may be appropriate, depending on the dollar amount of the purchase.

- B. The district sometimes did not solicit requests for proposals for professional services. The district paid \$50,771 to a law firm for legal services, \$15,972 to a CPA firm for accounting services, and \$12,000 to an individual for grant writing services for the year ended June 30, 2004. The district also paid \$20,977 and \$38,021 to multiple vendors for copying and catering services, respectively, for the same time period. In addition, the district did not enter into written agreements for the legal, copying, and catering services.

Soliciting proposals for professional services helps provide a range of possible choices and allows the district to make a better-informed decision to ensure necessary services are obtained from the best qualified vendor at the lowest and best cost. In addition, written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities, and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

WE RECOMMEND the School Board:

- A. Adopt a more comprehensive bid policy which requires bidding and establishes bidding requirements for purchases less than \$12,500.
- B. Adopt a policy addressing the selection of all professional services, and periodically solicit proposals for the selection of these service providers. In addition, the district should enter into written contracts with all applicable parties which clearly define the work to be performed and the compensation to be paid or benefits to be received.

AUDITEE'S RESPONSE

- A. *MRH fully complied with state law regarding bid procedures. The auditor found no examples of MRH violating state law. The state policy during the relevant period stated that a formal bidding process be used for projected expenditures of \$12,500 or greater for construction projects, as required by Section 177.086, RSMo (This has subsequently*

increased to \$15,000). This is the policy that has been implemented at MRH. A review of other St. Louis County school districts indicates that the majority of them have the same bidding practices.

Formal bids were accepted from several vendors for landscaping the new elementary school. The lowest bid was \$86,903. A decision was made to purchase the landscaping plants and related purchases from other vendors and complete the work with in-house staff. The cost of the landscaping plants and related purchases was \$24,663. MRH compared the prices of plants purchased to the per-price costing on the lowest formal bid received to make sure the cost was below this cost. In fact, the school district saved \$62,240 by price shopping and doing the work in-house.

Cooperative School District offers a program that provides bulk purchasing discounts for furniture and other items. Whenever the district purchases furniture, it compares prices with CSD prices and purchases at the lowest price available. All furniture purchases have been made consistent with this procedure.

- B. State law does not require bidding for professional services. MRH does compare prices among vendors. This comparison indicates that MRH's audit, legal, and catering services are reasonable compared to other county districts. The district will consider bidding in the future.

4.

Construction Project

The district spent over the budgeted amount on the new middle school project. In addition, the district did not monitor the progress of the construction projects and many changes were made without district approval. In April 2001, voters approved a bond issue totaling \$12 million for the purpose of constructing, furnishing, and equipping a new elementary school; renovating, furnishing, and equipping the high school to include a new middle school therein; renovating and air conditioning the high school/middle school and early childhood center; and improving technology resources in the district.

In May 2001, the district contracted with a construction manager and an architectural firm to design the renovations for the new middle school project and help oversee the construction at an estimated cost of \$2,508,434. Of this amount, \$1,415,088 was budgeted for the general contractor. The final amount paid to the contractor was \$1,677,661 or \$262,573 over the budgeted amount.

Numerous amendments or change orders to the original contract totaling over \$395,000 were made and submitted to the district by the general contractor. There was no documentation to indicate the board adequately monitored the progress of the project. Although the contract with the general contractor indicated change orders were to be approved by the district, the architect, and the construction manager, there was no documentation of board approval for the majority of the change orders. The superintendent indicated changes were performed by the contractor without authorization

by the appropriate parties. As a result, the district agreed to pay for only \$248,764 of the change orders submitted and disputed the remaining amount. After further discussion and litigation with the contractor, an agreement was reached and a portion of the disputed amount was paid by the district to settle the claim.

The Board should strictly monitor the progress of construction projects and obtain bids or prepare change orders for all significant changes to construction contracts to ensure any additional expenditures represent valid and appropriate costs to the district. Board approval of the change orders should be documented in the board meeting minutes.

WE RECOMMEND the School Board strictly monitor the progress of construction projects. In addition, change orders should be prepared and approved by the School Board in compliance with applicable contracts and documentation of the approval should be retained.

AUDITEE'S RESPONSE

The district recognizes the issues that arose with the middle school renovations and has implemented new procedures for subsequent projects, including the new elementary school. MRH also hired a different construction manager because of experiencing a number of problems with the construction manager and contractor for the middle school.

The new elementary school was completed on time and within budget.

5. Budgetary Procedures Financial Reporting
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Problems were noted concerning the district's budget and financial reporting procedures.

- A. Historically, the school district has amended its budget at year-end to ensure expenditures do not exceed the budget. However, the district does not amend the budget before expenditures are incurred. The following budget amendment was made by the school board on June 30, 2004 for the fiscal year 2004 budget:

<u>Fund</u>	<u>Original Budget</u>	<u>Actual Expenditures</u>	<u>Amended Budget</u>
General	\$5,102,795	\$5,401,451	\$5,439,703
Revenue			

It appears the amendment was made for statutory compliance only and circumvents the intended use of the budget as a management tool. The district monitors the budget on a monthly basis and it appears they were aware of the need to amend the budget as early as January 2004. The district should amend the budget before it incurs the expenditures.

The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budgets weakens the

effectiveness of this process. Section 67.040, RSMo, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

- B. Expenditures totaling over \$51,000 which should have been coded to tuition expenses were incorrectly coded to travel expenses on the district's Annual Secretary of the Board Report (ASBR) submitted to the Missouri Department of Elementary and Secondary Education (DESE) for the year ended June 30, 2004. The district discovered this error as a result of our audit, corrections were made, and a revised ASBR was submitted to DESE on May 3, 2005.

To establish consistency and accountability among school districts, the DESE provides districts with financial recording guidelines in the *Missouri Financial Accounting Manual*. The DESE has established account codes to track revenues, expenditures, and other transactions. The DESE account code structure is designed as a means of efficient recordkeeping as well as a basic management tool. It also allows comparability of financial transactions among districts. Without consistent adherence to the DESE account code guidelines, the district's financial reports do not properly reflect the financial transactions of the district.

WE RECOMMEND the School Board:

- A. Ensure amendments are made to the budget prior to incurring the expenditure.
- B. Require the DESE guidelines be followed when posting district transactions to ensure that financial reports are accurate and complete.

AUDITEE'S RESPONSE

- A. *Historically, the school district has amended its budget to ensure expenditures do not exceed the budget. The majority of the budget amendment was the addition of grant expenditures which were offset with an addition to revenues for these grants. The district will ensure budget amendments are done in a timely manner.*
- B. *The district mistakenly coded tuition reimbursement to travel for several years on the ASBR. The error has been corrected.*

6. General Fixed Assets Records and Procedures

The district does not maintain adequate records of district property. In addition, the district did not maintain adequate records of disposed property when two schools were closed.

- A. The district does not maintain a fixed asset list that includes all assets owned and does not have procedures in place to reconcile fixed asset purchases to additions to a fixed asset list. In addition, the district does not perform a physical inventory and does not tag or otherwise identify the fixed assets as property of the district.

Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. Additions should be reconciled to purchases annually. Complete and accurate fixed asset records are necessary to ensure better internal control over district property and provide a basis for determining proper insurance coverage. Physical inventories are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Prenumbered tags, when affixed to property items, allow for identification of the property in the records and limit the potential for personal use of school district assets.

- B. The district did not maintain adequate records regarding the sale of surplus property. The district closed two elementary schools at the end of the 2003-2004 school year and held a surplus sale to dispose of the items remaining including classroom furniture and equipment. A total of \$7,513 was received at this sale; however, since fixed assets are not inventoried, the district was unable to determine the value of the assets sold. In addition, the district did not maintain a listing of the actual items sold in the sale. The district disposed of furniture and consumables from approximately 36 classrooms during the sale.

The district should ensure property sales are properly handled and fully documented. Proper and complete information should be maintained to ensure the district receives fair value for the assets.

WE RECOMMEND the School Board:

- A. Establish property records for all fixed assets and require annual physical inventories of the fixed assets. The School Board should require additions to the fixed asset list be reconciled to purchases annually and ensure prenumbered inventory tags that label each item as "Property of Maplewood-Richmond Heights School District" are attached to district property and equipment.
- B. Ensure adequate and complete documentation is maintained for all surplus sales.

AUDITEE'S RESPONSE

- A. *The district maintains a current inventory of all computers, laptops, printers, smartboards, and projectors and a checkout system is in place for laptops that accounts for their location. Also, the district does have a physical inventory list of all other furniture and equipment at each school. MRH intends to implement a fixed asset process beginning in the next fiscal year by phasing in inventory in stages.*

B. *MRH has implemented new procedures for recording the sale of surplus goods.*

7.

Cellular Telephones

The district does not have adequate controls for cellular telephone use. The district paid approximately \$27,000 to their cellular phone service provider during the year ended June 30, 2004 for 43 telephones which are utilized by administrators, supervisors, and district personnel. District policy indicates cell phones are only to be used for district business and are to be reviewed by the chief financial officer on a monthly basis.

We noted some users exceeded the airtime provided in their plans. The district paid overage charges totaling \$2,710 or approximately ten percent of the total during this time period. During one month 17 of 41 users spent over the original plan amount and overage charges exceeded \$350. Although the district indicated the billings were reviewed, no follow up action was taken to determine if any personal calls were made or if any personal calls contributed to the users exceeding the airtime limits.

It appears that overall phone costs could be reduced if users adhered to district policy and airtime usage plans. Usage of cellular phones should be monitored to ensure it is necessary and for district business only.

WE RECOMMEND the School Board ensure cellular phones are used only for district business and billings are reviewed for reasonableness in compliance with district policy. In addition, the district should evaluate the usage of cellular phones and increase or decrease the number of phones and/or airtime plans, as necessary.

AUDITEE'S RESPONSE

During the fiscal year 2003-2004, the district received a reimbursement from the E-Rate federal grant of \$15,280 for the Nextel phones which offset the original expenditures of \$27,000. Also, in October 2004, the district changed to a shared-minutes plan and eliminated all overage charges. MRH will continue to receive E-Rate reimbursements up to 80 percent of cost in the future. A review procedure has been implemented that involves the examination of monthly cellular phone bills, the production of a monthly report, and immediate follow-up with staff.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

MAPLEWOOD-RICHMOND HEIGHTS SCHOOL DISTRICT
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Maplewood-Richmond Heights School District is located in St. Louis County, Missouri and covers 2.7 square miles in Maplewood and part of Richmond Heights.

The district operates a senior high school (grades 9-12), a middle school (grades 7-8), an elementary school (grades 2-6), and an Early Childhood Center (grades Pre-K-1). Enrollment was 1,013 for the 2003-2004 school year. The district employed approximately 204 full- and part-time employees, including 14 administrators, 125 teachers, and 65 support staff.

The Maplewood-Richmond Heights School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board during the year ended June 30, 2004, were:

School Board	Dates of Service During the Year Ended June 30, 2004
Mark Livingston, President	July 2003-June 2004
Cindy Blankenship, Vice President	July 2003-June 2004
Nelson Mitten, Treasurer	July 2003-June 2004
Barbara O'Sullivan, Secretary	July 2003-June 2004
Sherry Montford, Member	July 2003-June 2004
Vivian McBride, Member	July 2003-June 2004
Reverend Nathaniel Malone II, Member	July 2003-June 2004

The district's other principal officials during the year ended June 30, 2004, are identified below. The compensation of these officials is established by the school board.

Other Principal Officials	Dates of Service During the Year Ended June 30, 2004	Compensation Paid for the Year Ended June 30, 2004
Linda Henke, Superintendent (1)	July 2003-June 2004	\$ 131,300
Catherine Von Hatten, Assistant Superintendent	July 2003-June 2004	108,100
Kay Lesley, Chief Financial Officer	September 2003-June 2004	56,580
Cynthia Fields, Chief Financial Officer (2)	July 2003	13,309

Beth Rowland, Director of Buildings and Grounds	July 2003-June 2004	55,120
Natasha Webster, Director of Communications	July 2003-June 2004	46,800
S. Patrick McEvoy, High School Principal	July 2003-June 2004	96,096
Charles Pearson, Middle School Principal	July 2003-June 2004	90,300
Vicki Hardy, Elementary School Principal	July 2003-June 2004	75,691
Cynthia Hebenstreit, Early Childhood Center Principal	July 2003-June 2004	77,910

- (1) In addition to this base salary, the district paid \$4,968 for automobile lease costs for the Superintendent and also contributed \$1,000 to a tax-sheltered annuity in her name.
- (2) Resigned July 2003. Her final pay included pay for 32 days of accrued leave.

Assessed valuations and tax rates for 2004 and 2003 were as follows:

	<u>2004</u>	<u>2003</u>
Assessed valuation	\$ <u>183,169,930</u>	<u>190,521,837</u>
Tax rates:		
Operating Funds		
Residential	\$ 4.3690	3.5543
Agricultural	0.0000	0.0000
Commercial	4.5617	3.8715
Personal	4.4525	3.8636
Debt service	1.0300	0.8280